

# Memorandum



**Date:** April 9, 2007

**To:** Honorable Chairman Bruno A. Barreiro and Members,  
Board of County Commissioners

**From:** George M. Burgess  
County Manager

A handwritten signature in black ink, appearing to read "G. Burgess", written over the printed name of George M. Burgess.

**Subject:** Status Report on the Coconut Grove Playhouse

RCA

Agenda Item No. 7(C)

On July 18, 2006, the Board approved a \$150,000 allocation to the Coconut Grove Playhouse (Playhouse) to assist the Playhouse in securing management consultants to help develop a recovery plan for this landmark theater. This report provides an update on the significant progress being made on this work, outlines the next steps being undertaken by the Department of Cultural Affairs to complete this recovery plan for the Playhouse, and accounts for the above-referenced allocation and additional resources being used to support this effort.

## *County Resources for Developing a Coconut Grove Playhouse Recovery Plan*

The Playhouse ceased operations at the end of its FY2005-2006 season as a result of severe financial problems that threatened the theater's survival. In consultation with the Department's staff, the Board of Directors of the Playhouse concluded that it needed outside expertise with experience in helping major non-profit cultural organizations resolve critical management, artistic, governance and financial issues.

In September 2006, with the support of the \$150,000 approved by the Board, the Playhouse contracted with AMS Planning & Research, a major national arts management and planning consultant. AMS's scope of services included work to address the Playhouse's immediate pressing financial issues and to develop mid-term and long-range recovery plans focused on establishing operational and financial stability, and returning great regional theater to Coconut Grove. The County funding support was expected to sustain these management consulting services through November 2006; as a result of prudent management of these resources, work has been able to progress through March 2007.

In addition, the Coconut Grove Playhouse's Board has secured pro-bono services to complement AMS's work. This includes legal services provided by Berger Singerman; accounting assistance through Morrison Brown Argiz & Farra; and communications help through GolinHarris. The Department of Cultural Affairs has been an ongoing partner with the Playhouse Board, AMS and the pro bono consultants in developing the recovery plan. It should be noted that the Coconut Grove Playhouse's Board of Directors has completed a reorganization, resulting in a small working group of volunteers dedicated to the recovery of the theater and a smooth transition to its next era of service to the community.

## *Immediate Pressing Issues Addressed*

A key component of the work led by AMS Planning & Research was to assess the most immediate pressing issues and to develop effective strategies to address them. The goal was to establish a more stable financial environment and to ensure that there is enough time to develop solutions for the management, artistic, governance and financial issues essential to the recovery of the

Playhouse.

The following items highlight the accomplishments of this work:

- The Playhouse has worked cooperatively with the City of Miami's Offstreet Parking Authority (which manages the parking lot next to the Playhouse) to receive a six month advance of parking revenues (\$76,000); these limited funds have been used by the Playhouse Board to address the key financial issues outlined below:
  - salary and out of pocket expenses owed to former employees were paid;
  - necessary utilities and building insurance bills were paid; and
  - a repayment plan for the revoked, \$125,000 Department of State Cultural Facilities Grant was initiated.
- In cooperation with the Florida Department of State, the Playhouse Board came to an agreement on a payback plan for the misused \$125,000 of State Cultural Facilities Grant funds; the first quarterly payment pursuant to this plan was made to the State in January 2007. Representatives of the Department of State Division of Cultural Affairs and the Florida Department of Land Management are being provided with regular updates on the progress of work on the recovery plan.
- The Playhouse Board has worked with City of Miami to accept the City's historic designation of the property and currently, is working with the City to explore the feasibility of utilizing the Federal Historic Tax Credit Program for future capital improvements.
- In January 2007, Miami-Dade's local theater companies worked with the Miami-Dade Department of Cultural Affairs and AMS on a program to provide donated tickets for upcoming shows to Playhouse subscribers. Ticket vouchers were sent to approximately 2,000 subscribers, with a cover letter from the Playhouse. The goal of this initiative was to help restore the good relationship between the Playhouse and its patrons. Participating theaters included: Actors' Playhouse; City Theater; GableStage; The M Ensemble Company; New Theater; and Teatro Avante. These theaters continue to report an enthusiastic response from theater patrons regarding the redemption of the vouchers.
- Considerable positive press was received for these efforts in regard to payment of wages owed to the former employees and the theater ticket voucher offer to subscribers.
- The consultant team makes regular visits to the building to ensure that it is secure.
- With the assistance of the pro bono accounting and law firms, the Coconut Grove Playhouse Board and AMS assessed the cumulative debt, estimated to be approximately \$4.2 million. The Playhouse Board is regularly updating creditors on progress regarding a recovery plan. It should be noted that most creditors are long-time supporters of the Coconut Grove Playhouse, appreciate the efforts being made and acknowledge the benefit of providing the Playhouse with more time to develop a long-range recovery plan. The expectation is that creditors will be willing to participate in a plan to resolve the amounts owed to them once a new vision and realistic plan for returning theater to the Stage of the Playhouse is offered.

#### *Feasibility of Re-establishing Great Regional Theater in Coconut Grove*

Based on the momentum of these short-term accomplishments, AMS Planning & Research, the Playhouse Board and the Department of Cultural Affairs have worked on developing realistic options for re-establishing great regional theater at the Coconut Grove Playhouse. This work commenced with a series of focus group meetings convened by AMS (with the participation of the Department of Cultural Affairs) that solicited input from representatives of key stakeholders to help determine the need for a flagship regional theater and the critical factors that are essential to accomplish this. These meetings are ongoing, and to date, have included: Miami-Dade's non-profit theater

companies; civic leaders with a track record of volunteer leadership on boards of non-profit organizations; and the professional leadership of Miami-Dade's cultural community. To complement these focus group meetings, AMS has conducted interviews with individuals who have local and national perspectives that can contribute insights to and suggestions for this work. In addition, AMS is continuing to utilize case studies of regional theaters from other American cities to present options and best practices that might be adapted for Miami-Dade.

The feedback from this work has been overwhelmingly positive in regard to the need expressed for a great regional theater to be re-established in Coconut Grove. This input has emphasized the enormous impact that a major regional theater has on: the overall cultural infrastructure of Miami-Dade County; presenting theater that ranges from classics to new works; providing educational programs for families and children; completing the "ecosystem" of theater offerings in our community; the local business community in Coconut Grove, whose restaurants, retail shops and vendors depend on the theater-goers; and the image of our community for tourism and business development.

The key characteristics for a newly envisioned flagship regional theater that were recommended through this process include:

- a focus on quality;
- a commitment to collaboration and partnership;
- an intention to contribute to the development of theatrical literature;
- a dedication to education and training; and
- an involvement with the community and the theater field.

The best expectation for AMS's work was to identify promising options for fulfilling the recommendations of this feedback. Two directions with significant potential are being pursued actively now:

1. The focus groups have helped to identify a number of community leaders who would be willing to commit to the governing and fundraising necessary to sustain a major regional theater. This approach would involve a transition from the existing Board to a group of leaders with the resources, vision and energy to re-establish a major regional theater in Coconut Grove.
2. There is the potential of developing an alliance with another non-profit cultural and/or educational organization that shares a compatible vision in regard to creating a major regional theater.

There is momentum to build upon this progress, embark upon the next phase of work with the Board of Directors of the Playhouse and AMS Planning & Research and pursue the feasibility of each of these directions. The objective of this final phase of work is to develop and implement a transition plan that provides a new model for the governance, operations, programming and finances for re-establishing a major regional theater in Coconut Grove. This "due diligence" work is essential to testing each of these directions thoroughly and developing a realistic and achievable implementation plan. This work will continue to rely on the direct involvement of the Department of Cultural Affairs, expert management consulting services, best practices as identified from around the nation, sound business planning and solid and increasingly broader stakeholder input.

*Scope of Services for the Implementation Phase*

Over the next six months, efforts to re-establish a flagship, professional regional theater in Coconut Grove will need to proceed on two parallel paths: 1) continuing to manage efforts to protect the Playhouse's tangible and intangible assets; and 2) more fully developing alternate scenarios for future success. The key tasks in the next stage will focus on understanding the physical, operational, governance and financial requirements of establishing a successor theater company.

AMS Planning & Research will continue to lead the effort working closely with the Department of Cultural Affairs, the Playhouse's Board and the successor theater company. Given the tasks to be accomplished, AMS also will coordinate professional input from theater, acoustical and cost consultants for facility planning issues, call on legal and accounting professionals to address the Playhouse's debt issues and communications counsel to guide community engagement and information.

Specifically, during the implementation phase, the project team will:

- 1) Further develop each of the two directions being explored. Each will be illustrated by a "strawman" concept which will highlight key financial, legal and governance assumptions. These concepts will be illustrated by case studies of similar operations and tested with the potential successor theater company. A central element of this task will be building consensus around the artistic, community and operating goals for a new institution.
- 2) Prepare a preliminary facility redevelopment strategy including a review of current conditions, definition of facility requirements for a fully functional flagship, professional regional theater in Coconut Grove, a recommended building program and conceptual capital cost estimates.
- 3) Explore existing facility and site utilization strategies in consultation with the potential successor theater company.
- 4) Undertake, in collaboration with the potential successor theater company, due diligence on current financial issues and develop a strategy for resolution and execution by the Playhouse Board.
- 5) Solicit community input, as a preferred approach emerges, by continuing the focus group meetings that have already begun, and expanding the conversation to include other interested parties. With the benefit of community input, the concept would be finalized and tested once again with the potential successor theater company.
- 6) Prepare a detailed implementation plan that includes a defined governance structure, a business plan, a marketing strategy, a financing blueprint and a facility development plan. Using these guiding tools, the transition to a new theater enterprise would begin.

As noted above, the team will also continue to manage the day-to-day issues that range from monitoring the facility, to assisting the Board in on-going financial, legal and communications issues.

The steps outlined above will not proceed in a simple linear fashion. Each is related and can be impacted by outcomes in other areas. The anticipated timetable is as follows:

"Strawman concept"	March – April
Facility redevelopment strategy	April – May
Existing facility / site utilization	April – August
Due diligence	March – August
Preferred Concept	May – June

Community Input  
Implementation / Transition

June – July  
July - September

On-going tasks: Monitor Financials and Facility; Develop / Execute Communications Strategy

*Projected Costs for the Implementation Phase:*

A \$300,000 grant allocation was recommended by the Department of Cultural Affairs and the Cultural Affairs Council for the Coconut Grove Playhouse for FY2006-2007 and was authorized through Ordinance 06-134 – FY2007 County Budget Ordinance. These approved funds are in the FY2006-2007 budget of the Department of Cultural Affairs; the Department made a commitment to release grant funds to the Coconut Grove Playhouse subject to the Cultural Affairs Council's review of progress with the recovery plan. Based on this report of progress and on the significant potential of the directions being pursued, the Cultural Affairs Council endorsed this overall direction to complete and begin implementing the recovery plan for this significant community cultural resource and approved the release of these budgeted grant funds to the Coconut Grove Playhouse on March 28, 2007. The allocation of these funds will continue to be managed by the Department of Cultural Affairs through a grant agreement with the Coconut Grove Playhouse and paid on an installment basis, contingent upon receiving materials substantiating satisfactory completion of the tasks by the team of professionals assembled to complete the recovery plan.

Based on the key tasks and timetable above, the use of the grants funds are proposed, for the period through September 2007, for fees and direct expenses as follows:

Management Counsel and local support	\$120,000
Facility Planning	\$60,000
Accounting Services	\$30,000
Legal Services	\$55,000
Communications Counsel	<u>\$35,000</u>
	\$300,000

Additional reports will be provided to the Board as progress occurs on these next important steps for re-establishing one of our community's most long-standing and important cultural institutions.

  
Assistant County Manager